

103^D CONGRESS
2^D SESSION

H. R. 4579

To amend title V of the Housing Act of 1949 to make necessary reforms
to the section 515 Rural Housing Program.

IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 1994

Mrs. CLAYTON (for herself, Mr. CLYBURN, and Mr. THOMPSON of Mississippi)
introduced the following bill; which was referred jointly to the Committees
on Banking, Finance and Urban Affairs and Ways and Means

A BILL

To amend title V of the Housing Act of 1949 to make
necessary reforms to the section 515 Rural Housing
Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the “Section
4 515 Rural Housing Reform”.

5 SEC. 101. Title V of the Housing Act of 1949 (42
6 U.S.C. 1471 et seq.) is amended:

7 (a) Section 502(c)(1) is amended by adding a
8 new paragraph (C) to read as follows:

1 “(C) Effective May 26, 1994, the Sec-
2 retary may not accept an offer to prepay, or re-
3 quest refinancing in accordance with subsection
4 (b)(3) of, any loan made or insured under sec-
5 tion 515 pursuant to a contract entered into be-
6 fore the enactment of the Department of Hous-
7 ing and Urban Development Reform Act of
8 1989 for a period of not less than two years
9 from the date of enactment of the Housing and
10 Community Development Act of 1994.

11 “(D) The Secretary shall conduct either di-
12 rectly or through a contract an independent as-
13 sessment of rural housing preservation provi-
14 sions. Such assessment, along with rec-
15 ommendations of changes in law and regulation
16 shall be submitted to relevant committees of the
17 Congress by May 31, 1996.”.

18 (b) Section 502(c)(4)(C) is amended by revising
19 it to read as follows:

20 “(C) APPROVAL OF ASSISTANCE.—The
21 Secretary may approve assistance under sub-
22 paragraph (B) only if the restrictive period has
23 expired for any loan made or insured under sec-
24 tion 514 or 515 of this title pursuant to a con-
25 tract entered into after December 21, 1979, but

1 before the date of enactment of the Department
2 of Housing and Urban Development Reform
3 Act of 1989 and the Secretary determines that
4 the combination of assistance provided.”.

5 SEC. 201. Title V of the Housing Act of 1949 (42
6 U.S.C. 1471 et seq.) is amended:

7 (a) Section 515(a)(2) is amended to change
8 “fifty” to read “thirty”.

9 (b) Section 515(b)(2) is amended to read “pro-
10 vide for amortization as if the term of the loan was
11 for a period of not to exceed fifty years and may
12 allow for a balloon payment at the end of the term
13 of the loan. Such loan may be, in the discretion of
14 the Secretary, rescheduled for a period not to exceed
15 fifty years from the date of the original loan. The
16 amount of the unpaid principal and interest of the
17 prior loan rescheduled shall not create a new charge
18 against any loan levels authorized by law.”

19 SEC. 301. Title V of the Housing Act of 1949 (42
20 U.S.C. 1471 et seq.) is amended: Section 515(t) is amend-
21 ed by deleting paragraphs (4) and (5) and renumbering
22 paragraphs (6), (7), and (8) as paragraphs (4), (5), and
23 (6) respectively.

24 SEC. 401. Title V of the Housing Act of 1949 (U.S.C.
25 1471 et seq.) is amended: Section 510(d)(1) is amended

1 to read “prosecution and defense of any litigation under
2 sections 515 shall be conducted, at the discretion of the
3 Secretary, by”.

4 SEC. 501. Section 6103(1)(7) of the Internal Reve-
5 nue Code of 1986 is amended by adding a new subpara-
6 graph (x) to read “(x) any housing assistance program
7 administered by the Department of Agriculture that in-
8 volves initial and periodic review of an applicant’s or par-
9 ticipant’s income and only for use by officers and employ-
10 ees of the Department of Agriculture with respect to the
11 applicants and participants in such programs.”.

12 SEC. 601. Section 536 of the Housing Act (42 U.S.C.
13 1471 et seq.) is amended by redesignating paragraphs (d),
14 (e), (f), (g), (h), and (i) as paragraphs (e), (f), (g), (h),
15 (i), and (j) respectively, adding a new paragraph (d), and
16 amending the last sentence of redesignated paragraph (g)
17 to read as follows:

18 “(d) SUBSIDY LAYERING.—The Secretary is author-
19 ized to establish a process for evaluating assistance pro-
20 vided under this title to ensure that excess assistance is
21 not provided. In conducting such an evaluation, the Sec-
22 retary shall utilize information received under paragraphs
23 (b) and (c) of this section. To the extent practicable, the
24 Secretary is authorized to make use of procedures, policies
25 and regulations currently in use by the Department of

1 Housing and Urban Development and may, to the extent
2 practicable, develop memoranda of understanding with
3 State housing agencies to implement the provisions of this
4 section.

5 “(g) LIMITATION OF ASSISTANCE.—
6 * * * Notwithstanding the provisions of section 515(r),
7 the Secretary may decrease the amount of assistance pro-
8 vided under this title if he/she determines that other as-
9 sistance reported under paragraphs (b) and (c) will pro-
10 vide excess assistance and/or profits to the recipient.”.

11 SEC. 701. Section 509(f) of the Housing Act of 1949
12 (U.S.C. 1471 et seq.), is amended to read as follows:

13 “(f) UNDERSERVED HOUSING.—

14 “(1) DESIGNATION OF UNDERSERVED AREA.—

15 The Secretary shall designate as targeted under-
16 served areas 100 counties and communities in each
17 fiscal year that have severe, unmet housing needs as
18 determined by the Secretary. A county or commu-
19 nity shall be eligible for designation if, during the 5-
20 year period preceding the year in which the designa-
21 tion is made, it has received an average amount of
22 assistance that is substantially lower than the aver-
23 age annual amount of assistance received during
24 that 5-year period by other counties and commu-

1 nities in the State that are eligible for such assist-
2 ance calculated on a per capita basis, and has—

3 “(A) 15 percent or more of its population
4 at or below the poverty level; and

5 “(B) 5 percent of its population residing in
6 substandard housing.

7 As used in this paragraph, the term ‘poverty level’
8 has the meaning given the term in section 102(a)(9)
9 of the Housing and Community Development Act of
10 1974.

11 “(2) PREFERENCES.—In selecting projects to
12 receive assistance with amounts set aside under
13 paragraph (6), the Secretary shall give preference to
14 any project located in a county or community that
15 has, at the time of designation and as determined by
16 the Secretary—

17 “(A) 20 percent or more of its population
18 at or below poverty level; and

19 “(B) 7 percent or more of its population
20 residing in substandard housing.

21 In designating underserved areas under paragraph
22 (1), in each fiscal year the Secretary shall designate
23 not less than 5 counties or communities that contain
24 tribal allotted or Indian trust land. In designating
25 underserved areas under paragraph (1), the Sec-

1 retary shall not designate more than 10 counties or
2 communities in one State or Puerto Rico during
3 each designation cycle. If in selecting the 100 under-
4 served areas there are more than 10 counties or
5 communities in one State or Puerto Rico which meet
6 the requirements of this paragraph, the Secretary
7 will select the 10 most underserved counties or com-
8 munities utilizing the highest combined percentages
9 of populations below the poverty level and house-
10 holds residing in substandard housing. The remain-
11 ing counties will be eligible for unused funds as de-
12 scribed in paragraph (6)(A).

13 “(3) OTHER UNDERSERVED AREAS.—In addi-
14 tion to the 100 targeted counties and communities,
15 the Secretary may also designate other underserved
16 areas that have a severe, unmet housing need based
17 upon objective requirements. Such objective require-
18 ments may include counties and communities experi-
19 encing trauma due to natural disasters or structural
20 change; communities that have remained consistently
21 poor; colonias as defined in paragraph (10) and
22 communities that have experienced long-term popu-
23 lations decline and job deterioration.

24 “(4) UNDERSERVED APPLICANTS.—The Sec-
25 retary may also set-aside funds under paragraph (6)

1 for applicants who have been underserved. A class of
2 applicants shall be eligible for designation if, during
3 the 5-year period preceding the year in which the
4 designation is made, the class received an average
5 annual amount of assistance under this title that is
6 substantially lower than the class proportionate per-
7 centage of the rural population. Such underserved
8 applicants may include socially disadvantaged per-
9 sons such as women, blacks, Hispanics, Asian and
10 Pacific Islanders, and Native Americans.

11 “(5) OUTREACH PROGRAM AND REVIEW.—

12 “(A) OUTREACH.—The Secretary shall
13 publicize the availability to targeted under-
14 served areas and applicants of grants and loans
15 under this title and promote, to the maximum
16 extent feasible, efforts to apply for those grants
17 and loans.

18 “(B) REVIEW.—Upon receipt of data from
19 the 1990 decennial census, the Secretary shall
20 conduct a review of any designations made
21 under paragraph (1) and preferences given
22 under paragraph (2) and the eligibility of com-
23 munities and counties for such designation and
24 preference, examining the effects of such data
25 on such eligibility. The Secretary shall submit

1 to Congress, not later than 9 months after the
2 availability of the data, a report regarding the
3 review, which shall include any recommenda-
4 tions of the Secretary for modifications in the
5 standards for designation and preference. The
6 Secretary shall also submit a report to Congress
7 at any time between decennial census when rec-
8 ommendations for modification will promote
9 targeting of assistance for underserved housing.

10 “(6) SET-ASIDE FOR TARGETED UNDERSERVED
11 HOUSING AND COLONIAS.—

12 “(A) IN GENERAL.—The Secretary shall
13 set aside and reserve for assistance an amount
14 not less than 5 percent but not greater than 10
15 percent in each fiscal year of the aggregate
16 amount of lending authority under sections
17 502, 504, and 515. During each fiscal year, the
18 Secretary shall set aside an amount of section
19 521 rental assistance that is appropriate to pro-
20 vide assistance with respect to the appropriate
21 lending authority set aside each year. The Sec-
22 retary shall also set aside a reasonable amount
23 of assistance in other programs under this title
24 if he/she deems necessary to provide for under-
25 served housing. The Secretary shall establish a

1 procedure to reallocate any assistance set aside
2 in any fiscal year for targeted underserved
3 areas that has not been expended during a rea-
4 sonable period in such year for use in (i)
5 colonias that have applied for and are eligible
6 for assistance under subparagraph (B) or para-
7 graph (9) and did not receive assistance, and
8 (ii) counties and communities eligible for des-
9 ignation as targeted underserved areas but
10 which were not designated. The procedure shall
11 also provide that any assistance reallocated
12 under the preceding sentence that has not been
13 expended by a reasonable date established by
14 the Secretary (which shall be after the expira-
15 tion of the period referred to in the preceding
16 sentence) shall be made available and allocated
17 under the laws and regulations relating to such
18 assistance, notwithstanding this subsection.

19 “(B) LENGTH OF DESIGNATION.—In des-
20 ignating underserved areas under paragraph
21 (1), each such area shall remain designated for
22 a period of two years; except for counties which
23 contain tribal allotted or Indian trust land
24 which shall remain designated for three years.

25 “(C) PRIORITY FOR COLONIAS.—

1 “(i) Notwithstanding the designation
2 of counties and communities as targeted
3 underserved areas under paragraph (1)
4 and the provisions of section 520, colonias
5 shall be eligible for assistance with
6 amounts reserved under subparagraph (A),
7 as provided in this subparagraph.

8 “(ii) In providing assistance from
9 amounts reserved under this paragraph in
10 each fiscal year, the Secretary shall give
11 priority to any application for assistance to
12 be used in, or in close proximity to, and
13 serving the residents of, a colonia located
14 in a State described under clause (iii).
15 After the Secretary has provided assistance
16 under the priority for colonias located in a
17 State in amount equal to 10 percent of the
18 total amount of assistance allocated under
19 this title to such State in the fiscal year or
20 an average size loan, whichever is greater,
21 the priority shall not apply to any applica-
22 tions for colonias in such State.

23 “(iii) This paragraph shall apply to
24 any State for the total amount of assist-

1 ance allocated to it under this title during
2 each of such 2 fiscal years.

3 “(7) LIST OF UNDERSERVED AREAS.—The Sec-
4 retary shall publish annually the current list of tar-
5 geted underserved areas in the Federal Register.

6 “(8) PROJECT PREPARATION ASSISTANCE.—

7 “(A) IN GENERAL.—The Secretary shall
8 make grants to eligible applicants under sub-
9 paragraph (D) to promote the development of
10 affordable housing in targeted underserved
11 areas and colonias.

12 “(B) USE.—A grant under this subpara-
13 graph shall not exceed an amount that the Sec-
14 retary determines equal to the customary and
15 reasonable costs incurred in preparing an appli-
16 cation for a loan or a grant under section 502,
17 504, 514, 515, or 524 or a grant under section
18 516 or 533 (including preapplication planning,
19 site analysis, market analysis and other nec-
20 essary technical assistance). The Secretary shall
21 adjust the loan or grant amount under such
22 sections to take account of project preparation
23 costs that have been paid from grant proceeds
24 under this paragraph and that normally would

1 be reimbursed with proceeds of the loan or
2 grant.

3 “(C) APPROVAL.—The Secretary shall ap-
4 prove a properly submitted application or issue
5 a written statement indicating the reasons for
6 disapproval not later than 60 days after receipt
7 of the application.

8 “(D) ELIGIBILITY.—For purpose of this
9 paragraph, an eligible applicant may be a non-
10 profit organization or corporation, a community
11 housing development organization, State, unit of
12 general local government, or agency of a State
13 or unit of general local government.

14 “(E) AVAILABILITY OF FUNDING.—Any
15 amounts appropriate to carry out this para-
16 graph shall remain available until expended.

17 “(9) PRIORITY FOR COLONIAS.—

18 “(A) IN GENERAL.—In providing assist-
19 ance under this title in any fiscal year described
20 under paragraph (B), each State in which
21 colonias are located shall give priority to any
22 applications for assistance to be used in a
23 colonia. The priority under this subparagraph
24 shall not apply in such State after 5 percent of
25 the assistance available in such fiscal year has

1 been allocated for colonias qualifying for the
2 priority.

3 “(B) COVERED YEARS.—This paragraph
4 shall apply to any fiscal year following 2 fiscal
5 years in which the State did not obligate the
6 total amount of assistance allocated it under
7 this title during each of such 2 fiscal years.

8 “(10) DEFINITION OF COLONIA.—For purposes
9 of this subsection, the term ‘colonia’ means any
10 identifiable community that—

11 “(A) is in the State of Arizona, California,
12 New Mexico or Texas;

13 “(B) is in the area of the United States
14 within 150 miles of the border between United
15 States and Mexico, except that the term does
16 not include any standard metropolitan statis-
17 tical areas that has a population exceeding
18 1,000,000;

19 “(C) is determined to be a colonia on the
20 basis of objective criteria, including lack of po-
21 table water supply, lack of adequate sewage sys-
22 tems, and lack of decent, safe, and sanitary
23 housing; and

1 “(D) was in existence as a colonia before
2 the date of enactment of the Cranston-Gonzalez
3 National Affordable Housing Act.”.

4 SEC. 801. Section 515(s) of the Housing Act of 1949
5 (U.S.C. 1471 et seq.), is amended to read as follows:

6 “(s) No fee other than a late fee or reasonable appli-
7 cation fee not to exceed one-half of one percent of the pro-
8 posed mortgage amount, may be imposed by or for the
9 Secretary or any other Federal agency on or with respect
10 to a loan made or insured under this section. Such applica-
11 tion fee will be used, in part, to defray the cost of profes-
12 sional market studies obtained by the Secretary to deter-
13 mine market feasibility. Such application fee may be
14 waived for non-profit applicants which are not receiving
15 any tax credit benefits under section 42 of the Internal
16 Revenue Code.”.

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